

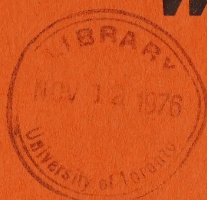
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the hidden welfare system



a report by the
national council of welfare
on the personal income tax system
in canada

november 1976

national council
of welfare




conseil national
du bien-être social

T H E H I D D E N W E L F A R E S Y S T E M

A Report by the National Council of Welfare
on the Personal Income Tax System in Canada

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November 1976



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INTRODUCTION

There are two welfare systems in Canada - one for the poor, the other for everyone else.

Of the welfare system for the poor, little need be said. It is well known to every Canadian. The high visibility of social assistance and other income security programs keeps them continually in the public view. The fear that these programs are being rampantly abused, in spite of all the evidence to the contrary, is constantly invoked. The question of whether government can afford this expenditure, regardless of the number of families who must rely on these programs as their only source of income, is passionately debated.

In spite of the inadequacy of the benefits provided by the existing programs, in spite of the exclusion of large numbers of low-income working families, and in spite of the humiliations which these welfare programs force on their recipients, attempts to rationalize our income security system - to make it a little more adequate, a little more humane, and somewhat more comprehensive - are met with cries that the economy cannot afford even small improvements.

The response from many quarters to the modest proposals for income support and supplementation which have evolved from the three-and-a-half year federal-provincial social security review stands as clear evidence. Such cries will be repeated often in the next year as the federal legislation to cost-share these proposed programs moves through Parliament. They will come up again as provincial governments enact legislation to implement support/supplementation plans in their own jurisdictions.

While all of this is going on, however, another massive spending program continues virtually unnoticed. Like the highly visible welfare system for the poor, this program transfers money

from government to individuals. In fact it transfers far more money than the poor ever receive from their welfare system, and its benefits go to millions of persons. By any reasonable definition of the term it is a welfare program.

Only it is not called a welfare program. And its principal beneficiaries are most assuredly not the poor. It is called the Income Tax Act.

This act conceals, very literally, billions of dollars in government spending - the spending which constitutes Canada's hidden welfare system for the non-poor. It hides this spending so well that governments do not publish, in fact do not even calculate, its total amount. Ordinary citizens - middle and lower income taxpayers - are almost totally unaware of its existence. They are also unaware that it is they who bear the greatest burden of this cost, while it is the wealthy who reap the greatest benefits.

The mechanism for this spending is certain provisions in the Income Tax Act which allow portions of income to be exempted from taxation or to be taxed at reduced rates. They accomplish their ends in a subtle fashion: not by government visibly paying out money to individuals, but by government invisibly allowing certain individuals to keep a portion of the taxes which would otherwise be due - in other words, by government not collecting the full amount of their fair share of taxes.

Canadians are in the midst of a bitter conflict over priorities in government expenditures. Governments must, of course, control expenditures. Choices must be made, and priorities established, among various programs and expenditure policies. However, by permitting this examination of priorities and programs to ignore these hidden tax subsidies, the decision-making process is stacked from the outset against the poor and the programs which benefit the poor.

If direct government spending for income security, child care services, and public housing is scrutinized carefully every year, why not the tax subsidy programs for investors in the stock market, those who have considerable bank and bond interest, or the wealthiest of the self-employed? A system of review that excludes a vast amount of government expenditures, just because they are clothed in tax language, is bad budgetary policy and absurd social policy.

If there is ever to be a reasoned debate on government expenditures - and, more importantly for Canada's poor, if there is ever to be an effective effort to free them from the poverty which now marks their lives - the extent and the nature of this tax spending must become well and broadly known.

We must look at who this spending benefits and how much it benefits them. We must analyze how much it is costing Canadians. Ultimately we must ask if this money - enough to eliminate all poverty in this country many times over - could not be better spent.

THE COLLECTING SIDE OF TAXATION

It would be hard to imagine any adult Canadian who doesn't know that the income tax system collects revenue for governments. For the twelve million persons who annually complete income tax forms, this fact is hardly one which can be forgotten. What a great many persons don't know, however, is how the personal income tax system actually works - how the amounts that appear in the tax tables are calculated, what the various tax rates really mean, and how they affect people in different income groups.

There is a persistent myth that the income tax system is so very complicated and technical that even its most fundamental concepts defy understanding by the average person. It is this myth, perhaps more than any other factor, that has kept the spending side of taxation hidden from public view and prevented the detailed public scrutiny which is essential to the establishment of an equitable system.

There can be no denying that the Income Tax Act, with its almost 260 sections, is complicated - indeed far more complicated than it should or need be. However the picture of tax law as an impenetrable jungle has been vastly overdrawn. The basics of the collecting side of taxation are quite readily explainable, and the "spending" side of taxation flows directly out of this collecting side.

Any discussion of taxation must begin with two fundamental concepts: the progressivity of the tax structure - what percentage of income is paid in taxes - and the comprehensiveness of the tax base - what is included as income in computing taxes.

Progressivity: Setting the Tax Rates

Government clearly has a right to tax its citizens; revenue must be raised to pay for the programs which the government administers. There are a broad range of taxes which are levied to accomplish this end, but the most significant in terms of money collected is the personal income tax

The underlying principle of this income tax system is that the proportion of income which an individual pays in taxes should increase as a person's income increases. This is referred to as the ability-to-pay principle.

A person with a very low income needs all, or mostly all, of this income simply to survive. Such a person has virtually no ability to pay taxes and, in fact, should not be expected to pay any. A higher income person, on the other hand, can afford to pay part of this income to taxes. The greater the income, the greater is the ability to pay, and the greater should be the tax load borne.

When income tax systems based on ability-to-pay were first established some sixty years ago there was a considerable debate about this principle - a debate, not surprisingly, taken up most vigorously by those who would have to pay the most. Governments persisted, however, in holding that the principle was essential for equity, and the majority of Canadians clearly shared that view.

The rationale behind the ability-to-pay principle is that government has a right - in fact, an obligation - to modify, through the tax system, the great disparities of wealth which arise from the unequal distribution of income. In other words, the tax system ought to be, and in fact is, an essential part of our system of income redistribution. It collects money from those who can pay and, through this collection, makes possible those other programs which provide a basic income to those whose own income is insufficient for their needs.

The mechanism which governments have used to make the ability-to-pay principle operational is a system of progressive rates of taxation. These rates work in a straightforward manner: The first few dollars of an individual's income are not taxed at all; the next are taxed at a very low rate; the following are taxed at a greater rate; those after that at an even greater rate, and so on.

To picture such a system it is helpful to think of an individual's income as a series of blocks piled one on top of the other. The bottom block represents the first few dollars of income; the government's share (that is, the taxes) of this block is equal to zero. The second block represents the next few dollars of income; the government's share of this block is quite small. However it becomes larger in the block after that, and larger still in the next block. Each time the individual earns an additional dollar of income, it goes into the top block. By the same token, each time a dollar of income is exempt from taxation, it comes out of the top block.

The actual number of dollars that makes up the "first few dollars" of income (or the bottom block), the "next few", etc. are referred to as tax brackets. The rate of taxation that applies to income in a person's highest bracket is referred to as his or her marginal tax rate.

There are a total of thirteen tax brackets in the federal income tax system (not including the bottom, or zero tax block). The tax rates for each bracket vary from province to province since each of the provincial governments (except Quebec¹) calculate their own personal income tax as a percentage of the federal tax. These percentages range from a low of 26.0% in Alberta to a high of 42.5% in Manitoba.² To make calculations easier to

follow, rates applicable in only one province - Ontario - will be used in the examples in this paper. Ontario's add-on percentage is 30.5% of the federal tax.

In the 1976 income tax system³ the first tax bracket on which tax is charged includes the first \$654 of taxable income. The tax rate (federal and Ontario combined) in this bracket is 7.8%. This means that for each and every taxpayer in Ontario the first \$654 of taxable income are taxed at this 7.8% rate. If a taxpayer has a taxable income that does not exceed \$654, then the 7.8% rate is all that is applicable to him.

If, however, a taxpayer has more than \$654 of taxable income, then the person moves into a higher tax bracket and the next \$653 of income are taxed at a rate of 23.5%. A person with \$1,000 in taxable income, for example, will pay tax at a 7.8% rate on the first \$654 of income and will pay tax at a 23.5% rate on the remaining \$346. The total tax will therefore be \$132.50 (which is the sum of $\$654 \times 7.8\%$ plus $\$346 \times 23.5\%$).

The following is the schedule of 1976 income tax rates for Ontario residents:

1976 TAX SCHEDULE

If taxable income is \$654 or less, the tax is 7.8%

If taxable income
is in excess of:

Then, the tax is:

\$ 654	\$ 51	<u>PLUS</u>	23.5%	on next	\$ 653
1,307	205	"	24.8%	" "	1,307
2,614	529	"	26.1%	" "	1,307
3,921	870	"	27.4%	" "	2,614
6,535	1,586	"	30.0%	" "	2,614
9,149	2,371	"	32.6%	" "	2,614
11,763	3,224	"	35.2%	" "	2,614
14,377	4,145	"	40.5%	" "	3,921
18,298	5,731	"	45.7%	" "	13,070
31,368	11,701	"	50.9%	" "	19,605
50,973	21,679	"	56.1%	" "	27,447
78,420	37,080	"	61.3%	on the remainder	

As the table shows, marginal tax rates vary from a low of 7.8% to a high of 61.3%. The personal income tax system is obviously progressive.

However, to see how truly progressive the system is, what has to be examined is not so much the marginal tax rates but the average tax rates - that is, the percentage of total income which is actually paid in taxes. Each rate, after all, only applies to a portion of income, and a person's marginal rate (the highest tax rate applicable to his income), in particular, is only charged on his last few dollars of income.

The difference between marginal and average rates can easily be seen by an example. Consider again the person with \$1,000 in taxable income. As we've already seen, his marginal tax rate is 23.5% and his taxes amount to \$132.50. Thus his average tax rate is at most 13.25% (\$1,000 of taxable income divided by \$132.50 of taxes).

In fact, the effective average rate is lower still, since taxable income is less than actual income. In calculating taxable income everyone is allowed a variety of exemptions and deductions - amounts of money which are not subject to taxation. For example these include a personal exemption of \$2,091, a deduction for work-related expenses of up to \$150, a standard deduction of \$100, and deductions for unemployment insurance premiums and Canada/Quebec Pension Plan contributions.

To reach a taxable income of \$1,000, actual income would have to be at least around \$3,400. So the average tax rate (actual income divided by total taxes) in our example is only 4%. This is clearly a lot less than the person's marginal tax rate of 23.5%.

The average rate is always less than an individual's marginal rate. This point is very important to keep in mind because the everyday use of terms might lead to the wrong conclusion. For example, when a person is described as being in a 35% bracket, what's meant is that his marginal rate is 35%, not that he pays 35% of income to taxes (that is, not that his average rate is 35%).

The following table shows the percentage of total income (actual income less the expenses related to earning that income⁴) that persons in various income groups paid in taxes in 1974⁵ (the most recent year for which statistics are available):

<u>Income Group (Total Income)</u>	<u>Percentage of all persons filing tax returns</u>	<u>Average tax rate in group</u>
Under \$5,000	38.4%	2.4%
\$ 5,000 - 10,000	31.5	10.7
\$10,000 - 15,000	18.7	15.5
\$15,000 - 20,000	6.8	18.6
Over \$20,000	4.6	25.6
	<hr/>	<hr/>
TOTAL	100.0%	14.8%

The figures demonstrate that the average rates are still progressive. However they are substantially less progressive than the marginal rates. The top 4.6% of taxpayers (those with an income, in 1974, of over \$20,000) paid, on average, 25.6% in income tax. Those having incomes exceeding \$200,000 paid at an average rate of 38.6%.

Even these average rates overstate the actual rates, especially for persons with the highest income. The data which is available on total income completely ignores some portions of actual income - for example, half of a person's realized capital gains (the profits from the sale of property or stocks purchased for investment purposes). The kinds of income that are ignored accrue most often to higher income taxpayers. Accordingly the actual rates for these people are, in fact, lower than the average rates shown above.

The Tax Base: What Gets Taxed

In discussing the difference between marginal and average tax rates we encountered a very important distinction in the tax system: the distinction between total income and taxable income.

The question, simply put, is what ought to be considered as income in calculating tax.

Economists, politicians and tax experts have discussed this question at great length. In theory there is a general agreement how this ought to be done in a perfectly equitable tax system whose sole objective was to raise revenue: Taxable income ought to be all of the financial gains which have accrued over a year minus the expenses necessary to earn that income. The gains would include salaries, wages, profits from the sale of property and stock, etc. The full amount of all income, from all sources, ought to be taxed according to the progressive rates of taxation spelled out in the Income Tax Act. The only permissible reduction should be for those expenses directly and unquestionably related to earning that income.

Any deviation from this fully inclusive definition of income - any income which is free from tax, or taxed at a reduced rate, or allowed to generate a deferral (that is, a postponement) of taxes - is a deviation from the comprehensive tax base. Moreover any such deviation gives a real benefit - through a tax saving - to those who are able to avail themselves of it, and increases the relative tax burden of those who are not. It is at this point that we enter the spending side of taxation.

THE SPENDING SIDE OF TAXATION

The Income Tax Act consists of 257 sections. These sections can be divided into two groups according to the purpose they serve.

The first group includes all those provisions of the Act which are essential to the operation of the tax system as a means of raising revenue on the basis of ability-to-pay - the provisions which define the collecting side of taxation. Besides setting out the appropriate rates of taxation, these provisions also specify the period of time over which income should be measured; who is required to file a tax return; the procedures for reporting and paying the tax; and the amounts that may be deducted for expenses related to earning the income.

All the remaining sections of the Act constitute the hidden welfare system. In contrast to the first group of provisions (the collecting side of taxation), these sections bear no relation whatsoever to the tax system proper and would be unnecessary for its fair and efficient operation as a means of raising revenue. They were put in the Act not because they are necessary for a technical measurement of income, but to give certain people a tax break - in other words, to provide financial assistance to certain groups and individuals.

These provisions take the form of deductions and exemptions from income, credits against tax, preferential tax rates, deferrals of tax and tax reductions. They are variously called tax incentives, tax preferences or loopholes. A more accurate terminology, and the one we will use throughout this paper, would be to call them tax subsidies or tax expenditures. Taken together they define the spending side of taxation.

That these provisions are government subsidies is easily demonstrated by an example. Consider the case of a person whose income consists of \$19,000 in wages and \$1,000 in interest from a savings account. By a reasonable definition of terms he has "made" \$20,000. The tax on \$20,000 is \$5,020.⁶

Under the existing income tax provisions, however, a taxpayer is allowed to deduct up to \$1,000 in interest to arrive at his taxable income. Therefore, although this person's real income is \$20,000, he only has to pay taxes on \$19,000 (his \$1,000 of interest income is tax free). Tax on \$19,000 is \$4,640 - \$380 less than the tax on \$20,000.

The entirety of this \$380 tax savings is due to the special deduction for interest income. In a very real sense, then, the government has spent - by not collecting the tax - the amount of \$380. From the point of view of the taxpayer, he has received a subsidy of \$380 - a reward, as it were, for having saved enough money in the bank to have gained \$1,000 in interest.

The government could have chosen to collect the full tax on \$20,000 and then paid this person, through a direct transfer, a grant of \$380 as the means for giving him this "reward". The government would have ended up with the same net revenue and the taxpayer with the same net income. Furthermore the government accounts would have shown that it had spent \$380. However because the subsidy is accomplished through an exemption from taxes, it never appears as a government expenditure.

The fact that a tax exemption is a hidden form of subsidy does not make it, of course, any less a form of government expenditure. A subsidy, by any other name, still costs as much. Canadians must not allow the choice of terminology and mechanism of payment - a very discrete choice from the point of view of the beneficiaries of this hidden welfare system - to mask the fact

that these exemptions and deductions have the same effect as the payments which are made through the welfare system for the poor: Both transfer money from government to individuals.

While direct government welfare payments and welfare payments made through the Income Tax Act have similar effects, there are nonetheless dramatic differences between them. Indeed, compared to other government expenditures, tax subsidies have a number of unique characteristics.

Since tax subsidies are contained in the Income Tax Act they are immune from the scrutiny to which other expenditures are subjected each year. Once established, tax subsidies do not need to win annual approval from the Treasury Board, Cabinet and Parliament.

The amount of revenue lost (that is, spent) by the government through tax subsidies is seldom computed. While estimates of lost revenue are calculated and made public when a new tax subsidy is announced, these estimates are only for the first year of operation of the subsidy. If these estimates are wrong - or if the cost escalates dramatically in subsequent years - no one will know: No further figures are ever provided.

The social and economic effects of tax subsidies are rarely examined. Who benefits from the subsidies is not made known. Their redistributive effects are ignored.

While the welfare system for the poor is generally thought of as government benevolence - a form of public charity to be extended or withdrawn often on the basis of arbitrary value judgments as to the recipient's worthiness - the exact opposite is the case for payments made through the tax system. These tax payments are seen as an unquestionable right. Considerations of worthiness or need would be declared totally irrelevant to their operation.

Instead of the stigma which comes with receiving social assistance, receipt of tax benefits is seen as a mark of the judicious organization of one's affairs. Maximizing the benefits received through these payments is never described as abuse; in fact it is viewed as irrational - or at least uninformed - to do otherwise.

Moreover, admiration is bestowed upon the astute lawyer or accountant who, by a sophisticated scheme, obtains a tax subsidy for his client. Even the unlawful evasion of tax is regarded by many as only a slight transgression, while obtaining social assistance when one is not entitled to it is viewed as a grave offence.

Finally, and perhaps this explains some of their other unique characteristics, these tax subsidies benefit, to the greatest extent, the well-to-do. Certainly they are of no benefit whatsoever to those who are outside the tax system because their incomes are too low. They are of little benefit to low-income taxpayers, and they provide only modest benefits to the vast majority of middle-income taxpayers.

In short, these tax subsidies are institutionalized inequity. And because the tax subsidies are phrased in technical language, hidden in the tax act and not subject to annual Parliamentary review, the public is largely unaware of their nature and extent.

HOW THE HIDDEN WELFARE SYSTEM WORKS

In 1974 the tax subsidies generated by the exemptions and deductions in the personal income tax system (excluding the basic personal exemption⁷ and the deductions for expenses directly related to earning an income⁸) plus the tax subsidy contained in the temporary tax reduction provision cost Canadians \$6.4 billion.⁹ And this was, by no means, the total cost of the hidden welfare system in that year. Only 17 out of approximately 60 subsidies in the Income Tax Act are included in that \$6.4 billion.

What sets these 17 subsidies¹⁰ apart is that the Revenue Department provides sufficient data about them to make it possible for us to estimate their cost. While the other 40-odd subsidies probably cost a further several billion dollars, no precise estimate is possible in the absence of such data.

An examination of the \$6.4 billion cost of the 17 subsidies, however, tells us a great deal about the hidden welfare system. To put this \$6.4 billion figure into perspective, it was equal to well over one-fifth of the entire federal budget in 1974. It was four and a half times the cost of the Olympic games and nineteen times the total new costs of the support/supplementation programs. It was enough money to have provided every family in Canada with an extra \$100 a month for food and clothing.

But this \$6.4 billion was not distributed equally among Canada's families. The poorest of the poor, those with incomes below the tax-paying threshold, received none of it. For all others, the rule was the higher their income, the higher their benefit.

The following table shows the estimated average benefit per taxpayer in 1974 from the 17 subsidies whose cost we can estimate:

<u>Income Group</u>	<u>Average Benefit</u>
Under \$5,000	\$ 243.75
\$ 5,000 - 10,000	484.65
\$10,000 - 15,000	788.06
\$15,000 - 20,000	1,177.46
\$20,000 - 25,000	1,786.93
\$25,000 - 50,000	2,426.73
Over \$50,000	3,989.78

It would be difficult to imagine any direct and visible government expenditure program that gave \$244 to those with incomes of less than \$5,000, but \$2,427 - ten times as much - to those with incomes of \$25,000 to \$50,000, and \$3,990 to those who make over \$50,000 a year. No government would dare propose such a program. And yet the hidden welfare system does just that, and there is hardly a protest to be heard.

The reason the hidden welfare system can get away with it is precisely because it is hidden. The low-income taxpayer saving \$200 cheers his saving - and remains oblivious of the \$2,000 saving granted to the person with five times his income.

The figures showing the percentage of the benefits from these 17 tax subsidies going to persons in various income groups are equally revealing. To put these figures in perspective we have also shown the percentage of all tax filers (persons who completed an income tax form) in each of the income groups:

<u>Income Group</u>	<u>Percentage of all tax filers</u>	<u>Percentage of total benefits from the 17 tax subsidies</u>
Under \$5,000	38.4%	12.5%
\$ 5,000 - 10,000	31.5	27.9
\$10,000 - 15,000	18.7	26.5
\$15,000 - 20,000	6.8	14.3
Over \$20,000	4.6	18.8
	<hr/>	<hr/>
	100.0%	100.0%

The lowest income 70% of tax filers - all those persons whose income was below \$10,000 - received only 40% of the benefits from these tax subsidies. The top 11% of tax filers received 33%.

To see how tax subsidies actually operate, it is useful to examine a few specific examples. We have chosen ones that are among the better known to the average citizen and which, on their face, may appear to reflect reasonable social and economic policy.

We have deliberately avoided the more outlandish subsidies - in spite of the fact that they are the most seemingly outrageous - because they are used by so few taxpayers. That for a small minority of the very rich, intricate - and quite legal - tax avoidance schemes are possible is already well known. In 1974, 252 persons making over \$50,000 a year paid no tax at all. Among them were 17 persons with incomes exceeding \$200,000.¹¹

High income persons in managerial and professional positions, for example, can often set up "dummy" companies whose only real purpose is to assist them in avoiding taxes. Since small businesses pay tax at a 25% rate - low compared with marginal rates in the personal income tax system of up to 61% - the tax saving through the use of these companies can be appreciable.

This saving can be made all the greater since companies are allowed deductions for business expenses which are not allowed to an individual. And it can be made greater still by having shares in the company held by members of the taxpayer's family - in effect allowing one person's income to be split among several persons, each paying tax at a lower marginal rate than that which any one individual with the combined income would have to pay.

However it is not necessary to resort to the kind of exotic loopholes which such creative persons use to make the case against the existing tax subsidies. Even the most reasonable seeming subsidies - the ones used by the ordinary taxpayer - are rendered both unfair and arbitrary by the manner in which they are provided.

The Child Care Deduction¹²

Under the present law, certain taxpayers are allowed to deduct the actual cost of child care up to an annual maximum of \$1,000 per child and a family maximum of \$4,000, provided the amount claimed does not exceed two-thirds of the taxpayer's earned income for the year.

In 1974 the child care deduction (which at that time had maximums set at only half of the present rates) cost government over \$29 million. This was only \$3 million less than was spent that year by all levels of government - federal, provincial and municipal - in directly subsidized day-care programs. This fact alone could illustrate the dimensions of the hidden expenditures of the tax system. However it only begins to reveal how this tax subsidy works.

On the surface the child care deduction may appear to be an equitable feature of the tax system. A parent with young

children faces a substantial financial deterrent in seeking employment outside the home. Alternative arrangements for the care of children are generally expensive and hard to find. It seems only reasonable that the tax system should somehow take this expense into account.

But when the child care deduction - or, for that matter, any deduction or exemption - is examined in light of the progressive tax rates, it becomes readily obvious that it stands the ability-to-pay principle precisely on its head. A deduction always gives a greater benefit to the person with a higher income and a lesser benefit to a person with lower income. This is because deductions always take money out of a person's highest tax bracket - the bracket which is taxed at the highest rate applicable to his income.

As an example consider two women, each with one child and each living in Ontario. Both are entitled to a child care deduction of \$1,000.

The first woman works at close to the minimum wage and has an earned income of \$6,000. By going to the 1976 tax schedule we can calculate¹³ that, if there were no child care deduction, federal and Ontario taxes on \$6,000 would be \$518. By allowing the child care deduction her taxable income is reduced by \$1,000. Federal and Ontario taxes on this reduced taxable income amount to \$261. The child care deduction, therefore, has given her a tax saving of \$257.

The second woman has an earned income of \$20,000. Taxes on this amount, before the child care deduction, total \$4,972. The child care deduction reduces her taxable income by \$1,000 and brings her tax bill down to \$4,592. Her tax saving is \$380.

The face amount of the deduction extended to both women is the same, but the resulting tax saving is substantially larger

for the person who already has the greater ability to bear this expense - and hence the lesser need for a subsidy through the tax system. Deductions always produce this kind of result. They always benefit the wealthiest the most and the poorest the least. And the larger the deduction, the greater the inequity.

The way to eliminate this inequity is to replace the child care deduction with a child care credit. (A tax credit is just what its name would imply: a credit of a fixed amount which each taxpayer could apply against his/her tax bill - or, in other words, a fixed amount of tax which he/she does not have to pay.)

In the example above, suppose the child care deduction were eliminated and replaced by a tax credit of \$350 per child. The two women would both then be eligible for the same \$350 credit. For the woman whose earned income was \$6,000, this would mean a \$93 reduction in her tax bill. (Instead of the \$257 tax saving she now receives from the deduction, she would have her taxes reduced by \$350, a difference of \$93.) The \$20,000-a-year woman would have her tax bill increase by \$30 (since the present tax deduction gives her a saving of \$380, but the credit would only give her a saving of \$350).

When a tax subsidy is justified for sound social reasons, such as to assist with child care costs, it should be extended equally to those at all income levels. And that can be done only by tax credits in fixed amounts. When a deduction is offered instead of a credit, it means government has chosen to do in a hidden fashion what it would never do openly - grant bigger subsidies to those with high incomes than to those with low incomes.

Registered Retirement Savings Plan¹⁴

Each taxpayer is allowed to put a certain portion of his income into a Registered Retirement Savings Plan (R.R.S.P.). Any

income put into such a plan is totally exempt from taxation as long as it stays in the plan. When the taxpayer retires he may use the accumulated money to purchase an income-earning annuity and he must pay tax on the income derived from this annuity. However since most persons have substantially less income after retirement, the tax on these earnings is generally assessed at lower rates than would have been the case if they had been taxed each year as they were earned.

The limit to "contributions" to an R.R.S.P. is 20% of total income, up to an absolute dollar maximum. This absolute maximum is \$3,500 for a person who belongs to an employee (or company) pension plan, and \$5,500 for anyone who does not belong to such a private pension plan.

Registered Retirement Savings Plans are sometimes referred to as "deferred income plans". Their supposed purpose, as stated in the most recent budget speech, is "to encourage Canadians to make provision for their retirement years and thus to foster national savings".¹⁵ Some commentators go so far as to call them "the average man's tax shelter".

It really is unfortunate, though, that the "average man" - and, for that matter, "the average woman" - gets almost no benefit whatever from this tax subsidy. In 1974 this provision of the Income Tax Act cost Canadians, by our estimates, \$513 million.¹⁶ These half a billion dollars in benefits went primarily to those with the highest incomes.

The following table shows the average benefit which taxpayers in various income groups derive from R.R.S.P.s. It also shows the percentage of total tax savings that accrue to each income class and, in comparison, the percentage of tax filers in each group.

<u>Income Group</u>	<u>Average tax saving</u>	<u>% of all tax saving</u>	<u>% of tax filers in income group</u>
Under \$5,000	\$ 1.02	0.5%	38.4%
\$ 5,000 - 10,000	9.81	7.0	31.5
\$10,000 - 15,000	38.43	16.2	18.7
\$15,000 - 20,000	125.01	19.0	6.8
Over \$20,000	551.88	57.3	4.6

The top 5% of tax filers got 57% of the benefits from R.R.S.P.s. All the remaining 95% of tax filers got 43% of the benefits. Persons making over \$20,000 received, on average, four times the benefit of persons earning between \$15,000 and \$20,000. They received 14 times the average benefit of persons making between \$10,000 and \$15,000.

The reasons for this situation are readily obvious in the design and concept of the provisions for Registered Retirement Savings Plans. In the first instance is the upside-down, rich-always-get-more effect of a deduction. Added to this, the wealthier the person, the greater the amount he is permitted to deduct. The limit of 20% of total income means that a moderate income person, even if he has the money to put into an R.R.S.P., cannot shelter as much as a higher income person. Someone making \$15,000 a year, for instance, can shelter \$3,000 at most. A self-employed person making \$30,000 can shelter the maximum limit of \$5,500.

The present limits for contributions to R.R.S.P.s are the result of changes announced in the May 1976 budget. Before that, the limits had been \$2,500 for persons who belonged to an employee pension plan and \$4,000 to those who didn't.

The previous maximum of \$4,000 meant that everyone earning above \$20,000 and not part of an employee pension plan

was "restricted" to the same \$4,000 maximum. By bringing the limit up to \$5,500, all such persons earning above \$20,000 could suddenly shelter more money from taxation. But no such advantage was extended to those in the same situation making less than \$20,000 - the change has absolutely no effect at all for them. Only persons making over \$27,500 can now benefit from the maximum deduction (since 20% of \$27,500 is \$5,500).

This piece of generosity (coupled with an increase in the allowable deduction for contributions to employee pension plans) will cost Canadians, in the 1976 taxation year alone, \$60 million.¹⁷ The hidden welfare system for the non-poor is evidently alive and well and continuing to grow in spite of the austerity that has hit all other programs.

Registered Retirement Savings Plans encourage saving among those persons who already have the most capacity to save and who hardly need any additional encouragement. They provide only the most modest benefits to middle and lower income persons - the people that are in greatest need of a financial cushion to protect them in their old age. The only conceivable remaining rationale for R.R.S.P.s is that they keep savings in Canada - and surely the ingenuity of government could come up with a less costly and more equitable way to accomplish this end.

Registered Pension Plan Contributions¹⁸

The provisions for Registered Retirement Savings Plans are intended to complement another provision of the Income Tax Act which permits the deduction of contributions to employee (or company) pension plans. The argument goes like this: Sure the highest income person gets the most benefits from R.R.S.P.s, but the moderate income person is the one who's more likely to be covered by an employee pension plan. So he or she will get the lion's share of the benefits from this provision of the Act.

Unfortunately, he doesn't. He does, of course, do better than under R.R.S.P.s. But his average benefit doesn't even begin to compensate for the advantages the wealthy receive from their Registered Retirement Savings Plan.

In 1974, the deduction of contributions to employee pension plans cost taxpayers \$467 million.¹⁹ The average benefit per taxpayer and the percentage of total benefits going to persons in different income groups is shown below:

<u>Income Group</u>	<u>Average tax saving</u>	<u>% of all tax savings</u>
Under \$5,000	\$ 1.85	.9%
\$ 5,000 - 10,000	21.29	16.5
\$10,000 - 15,000	73.26	34.0
\$15,000 - 20,000	135.76	22.8
Over \$20,000	225.50	25.8

Overall the 25% of tax filers earning between \$10,000 and \$20,000 do receive 57% of the benefits. However the 5% of tax filers making over \$20,000 still manage to ring up 26% of the benefits while the lowest income 70% of tax filers get only 17% of the benefits.

When we calculate the average combined benefit of the deductions for contributions to employee pension plans and Registered Retirement Savings Plans, we see the complete saving-for-retirement picture:

<u>Income Group</u>	<u>Average combined tax saving</u>
Under \$5,000	\$ 2.88
\$ 5,000 - 10,000	31.10
\$10,000 - 15,000	111.68
\$15,000 - 20,000	260.77
Over \$20,000	777.38

The figures speak for themselves.

Registered Home Ownership Savings Plan²⁰

Imagine a minister responsible for housing announcing a new program of federal-provincial grants intended to encourage home-ownership. These grants would vary by a person's income according to the following schedule:

<u>Income</u>	<u>Amount of Grant</u>
Under \$2,000	\$ 105.21
\$ 2,000 - 5,000	203.18
\$ 5,000 - 10,000	264.93
\$10,000 - 15,000	309.93
\$15,000 - 20,000	365.80
\$20,000 - 50,000	462.11
Over \$50,000	571.06

Of course such a program is unthinkable. The idea of a grant that increases with income would cause a furor in Parliament and among the public. A minister of housing who would suggest such a program in the privacy of a Cabinet meeting would be laughed out of the room - not to say out of the Cabinet.

However a former Finance Minister announced just such a program in the November 1974 budget and it became law. The program is called the Registered Home Ownership Savings Plan - another of the savings incentives built into the Income Tax Act.

Under this plan every taxpayer is allowed to deduct up to \$1,000 of income a year - to a lifetime maximum of \$10,000 - provided the money is put into a special account and is ultimately used to buy either a home or furnishings for a home. Persons who already own a home are ineligible.

As long as the money goes towards the purchase or furnishing of a home, the income deducted, and the interest this income earns, are never taxed. If the person never buys or furnishes a home, the money can be transferred to a Registered Retirement Savings Plan and likewise avoid taxation.

The table on the preceding page shows the average benefits in 1974 for taxpayers who took advantage of this provision. The total cost of this tax subsidy was \$65 million. Since 1974 was the first taxation year for which the provision was in effect, and since its introduction was not announced until November of that year, the 1974 costs will unquestionably prove low compared with subsequent years.

The purpose of Registered Home Ownership Savings Plans is "to assist young people in accumulating the capital required for a down payment on a house."²¹ One could wonder how many young people are in the income groups that derive the substantial benefits. It is certainly interesting to note that among persons making between \$5,000 and \$10,000 a year, only one in 49 took advantage of this provision. In the income range between \$10,000 and \$15,000, one in 32 opened up a plan. However in the \$50,000 or more income group, the figure was one in 16.

Interest Income Deduction²²

Keeping savings and investments in Canada is an important economic goal. To foster this goal, the November 1974 budget announced a \$1,000 deduction for interest income from savings accounts, bonds, mortgages or similar sources. In 1975 this was extended to include dividends from Canadian corporations.

The savings of the average taxpayer were to be encouraged, it was said; but once again the greatest benefits went to the wealthy. The figures show the same pattern as with all the other tax subsidies: Persons making between \$5,000 and \$10,000 received an average tax saving of \$39.06; those making between \$10,000 and \$15,000 received an average of \$56.39. Those earning \$25,000 to \$50,000, however, received an average benefit of \$216.01, while taxpayers who made over \$50,000 got, on average, \$339.40.

The reason for this disparity in benefits becomes readily apparent as soon as we examine the figures on how much interest income was actually deducted by tax filers in various income groups. Persons earning between \$5,000 and \$10,000 were only able to deduct, on average, \$145.33; those earning between \$10,000 and \$15,000 deducted an average of \$174.05, only somewhat more. However, persons making between \$25,000 and \$50,000 deducted, on average, \$443.39. Those making over \$50,000 deducted an average of \$593.12. Combining the higher amounts deducted by the wealthy with their much higher marginal tax rates, the greater benefits they received are easily explained.

There is one other noteworthy aspect of the interest income deduction. When it was announced in 1974, its cost was estimated by the Minister of Finance at \$230 million.²³ He was wrong. By our estimates the real cost, in 1974, was \$546 million.

Such a miscalculation in any item of direct expenditure - and particularly in any income security program - would be

considered scandalous. But in the hidden welfare system it's not even noticed. The figures are never published.

Exemptions for Wholly Dependent Children²⁴

A person's tax burden ought to take into account the number of children who have to be supported on his or her income. There are two ways that this could be done: by an exemption or by a tax credit.

The tax credit approach would give the same benefit to all those persons whose gross tax (that is, tax before applying the credit) was at least equal to the credit. It would not, of course, provide the same benefit to everyone since there will be many persons who will either owe no tax at all or whose gross tax will be less than the amount of the credit. However the credit could be made to give precisely the same benefit to all persons with dependent children by making the credit refundable - that is, if gross tax is less than the tax credit, the person is paid the difference, just as overpayments of tax are now refunded.

Government, however, has not chosen a tax credit approach. Rather, it has decided to use an exemption - the approach which provides the greatest benefits to those who already have the most. In 1974, this exemption was \$320 if the child was aged under 16 and \$586 if the dependent child was 16 years or older. The total cost of the exemption was \$808 million.

There is, of course, another program - a direct payment program - intended to provide assistance to all families with children. This is the family allowance program. In 1974, family allowance payments were raised very substantially and they were made taxable. The reason for making them subject to tax was to guarantee that family allowances gave their largest benefits to those who needed them the most.

One might expect that the net benefit from the family allowance combined with the tax saving from the children's exemption would give at least the same total assistance to all families, irrespective of their income. Even minimal coordination between two government programs intended to serve the same end should accomplish this.

The following table, however, shows the combined benefit in 1976 for families at various income levels, each having a child aged 10 and a child aged 16:

<u>Income Level</u>	<u>Net family allowance</u>	<u>Tax saving from exemption</u>	<u>Total Benefit</u>
\$ 5,000	\$529.92	\$ 0	\$529.92
6,000	398.51	217.87	616.38
8,000	388.51	293.05	681.56
10,000	384.68	304.47	689.15
12,000	370.84	333.47	704.31
15,000	357.00	362.46	719.46
25,000	302.68	476.33	779.01
50,000	239.51	608.77	848.28

Not only are family allowances and the children's exemption uncoordinated, they work totally at cross-purposes. While the effect of one, the family allowance, is to provide net benefits that decrease as income rises, the effect of the other, the children's exemption, more than negates this and produces a combined benefit that increases with higher income.

The need for an integrated approach in the way government provides assistance to families with children is clear. If government's intention is to provide the greatest benefits to those families who have the greatest need, then its two programs must be structured so that together they produce this intended result.

To accomplish this, the children's exemption should be abolished. In its place there should be a credit - specifically a refundable credit. This will guarantee that the greatest combined benefits go to those who need them the most. The continuation of the present tax subsidy program is both inequitable and illogical.

BRINGING EQUITY TO OUR TWO WELFARE SYSTEMS

Logic does not appear to be a criterion of Canada's tax subsidy programs - not if equity is viewed as a logical goal of a tax system. The pattern which emerged in the six examples in the previous section - the repeated receipt of greatest benefits by those with highest incomes, and only modest benefits by middle and lower income taxpayers - is reflected in every tax subsidy built into the Income Tax Act. And the cost of each of these subsidies is substantial.

All of the exemptions taken together (other than the basic personal exemption, or zero tax rate, applied to the first block of each taxpayer's income) cost \$2.5 billion in 1974. Besides the \$808 million for the exemption for wholly dependent children, this total includes \$1.3 billion for the married or equivalent exemption (what a taxpayer may exempt for his or her spouse or, in special cases, certain other persons being supported); \$40 million for the exemption for other dependents (other than the taxpayer's children); \$294 million for the age and disability exemptions (allowed to all persons aged over 65, the blind and the disabled); and \$64 million for the education deduction (a provision that allows \$50 to be exempted for each month during which a taxpayer or one of his/her dependents attended university or certain other educational institutions).

In each instance the principle behind the provision is socially justifiable. Government ought to take these special family circumstances into account in apportioning the tax burden. However the mechanism that has been used to apply the principle - the exemption - always frustrates this objective. The exemption guarantees the greatest benefit to those of the aged, for example, who have the most income, not those who are scraping by at a minimal income. It assists in the most substantial amounts those

few among the blind and disabled who are fortunate enough to have a substantial income, and it gives little or nothing to those who have only a small income. All of these exemptions should be abolished and replaced - in some instances by credits and in other cases by direct income-tested transfer payments.

The deductions allowed by the Income Tax Act generate even greater costs than the exemptions. By our estimates 10 of the deductions alone cost Canadians some \$2.6 billion. In addition to the subsidies already examined, this total includes \$249 million for the deduction of Canada/Quebec Pension Plan premiums; \$204 million for the deduction of Unemployment Insurance contributions; \$55 million for the deduction of tuition fees; \$265 million for the standard deduction of \$100 (allowed to each taxpayer who does not itemize charitable donations or medical expenses); and an additional \$171 million for the deduction of charitable donations by those who do itemize.

Twenty-seven percent of all the tax savings generated by these combined deductions go to the top 5% of tax filers. An only slightly larger proportion - 33% - is distributed among the 70% of tax filers at the lower and middle parts of the income scale. These deductions, like the exemptions, should all be abolished and replaced by credits which extend the same size benefits to all. There is absolutely no reason why a \$30,000 earner should be saved \$62 in tax for having contributed \$135 to the Canada Pension Plan, for example, while the \$9,000 earner who contributed the same amount saves only \$37.²⁵

The temporary tax reduction provision is another tax subsidy. In 1974 it cost \$1.3 billion and, because of its nature, it too provided greatest benefits to those with highest incomes. Each taxpayer was allowed a reduction of 5% of his or her basic federal tax - with a minimum reduction of \$150 and a maximum of \$500. The highest income person was thus given a reduction more than three

times as great as that of a middle or lower income taxpayer. The equitable method, of course, would have been a reduction of an equal amount for every taxpayer. But that was not the course which government chose.

Why? Why has government consistently chosen tax subsidy mechanisms which provide biggest benefits to those with biggest incomes. And how long are these enormous tax subsidy programs to continue to operate invisibly, lavishing huge benefits on the wealthiest of Canadians?

When will the hidden welfare system be brought into the open and made subject to a full and informed public debate? The government already has all of the information to make known the extent, the costs and the beneficiaries of the hidden welfare system. It has simply chosen not to make these known.

In the United States this is no longer the case. Under the terms of the Budget Control Act of 1974, the American government is required, by law, to publish complete tax expenditure figures (for both the personal and corporate income tax systems). These figures include estimates of tax expenditures for the current tax year and each of the following five years.

The tax expenditure budget is debated in Congress and in Congressional committees the same as the direct expenditure budget. Congress has the power to order cuts or increases in the tax expenditure budget in the same way as for the direct expenditure budget.

It is time we demanded that our government do the same. Canadians are entitled to know how much the hidden welfare system costs and whom it benefits. And our government has an obligation to tell us. But clearly it will do so only when we, the Canadian taxpayers, assert our right to know.

Knowing, of course, is only the first step. After knowing there must come acting.

The present debate about government expenditures must be broadened to include all government expenditures - tax subsidies as well as direct transfer payments. We must ask whether the amounts now spent by our tax system should not be differently spent, just as that question is now being asked of direct expenditure programs. We must look at each subsidy and ask, first, if the subsidy serves a valid purpose, and second, if it does, how that purpose can most equitably be realized.

Out of such a debate, many - probably even most - of the present tax subsidies would continue. But they would be dramatically restructured. They most assuredly would not give greatest benefits to those with highest income and smallest benefits to those most in need. Some of the subsidies would be changed to tax credits so they would provide equal benefits to all taxpayers. Others would be delivered more sensibly and efficiently by direct expenditure programs. A few of the subsidies - especially the ones which really only benefit the wealthiest - might be eliminated entirely.

Such a tax reform would not increase the tax burden of middle and lower income persons. In fact, their tax load would no doubt be decreased as the highest income persons finally begin to pay their fair share of taxes.

And for Canada's poor, out of such a tax reform could at last come the money needed to guarantee them the adequate income which they have so long been denied. Only a fraction of the billions of dollars that now goes to the hidden welfare system would be enough to entirely eliminate all poverty in Canada. No increase in the tax burden on those in middle income categories would be needed to achieve that result. It could be accomplished in tandem with the restoration of equity in our national tax system.

That may sound like a dream. But it is a fully realizable dream - if we Canadians decide to realize it.

FOOTNOTES

1. Quebec has its own provincial income tax legislation. It is the only province that has chosen to follow this route (although any province may do it). The Quebec taxation system varies from the federal system in several respects and it includes a different tax schedule.
2. In 1976, the add-on percentages for provincial income tax in each of the provinces are as follows: Newfoundland, 41%; Prince Edward Island, 36%; Nova Scotia, 38.5%; New Brunswick, 41.5%; Ontario, 30.5%. Manitoba, 42.5%; Saskatchewan, 40%; Alberta, 26%; and British Columbia, 31.5%. Residents of the Yukon and Northwest Territories pay a surtax of 30% of the basic federal tax. Quebec, as noted in the previous footnote, collects its own provincial income tax.
3. To simplify the discussion, in this section only we have left out some modifications to these basic rates brought about by temporary tax reductions and tax surcharges. These include: an overall reduction in federal tax of \$200 or 8% of the basic federal tax, whichever is the greater (however the reduction cannot exceed \$500); a surtax of 10% on all federal tax payable above \$8,000 (for example, if federal tax amounted to \$9,000, the surtax would be \$100, or 10% of \$1,000); and an Ontario provincial tax reduction equal to the total provincial tax if the basic federal tax is less than \$200. In all of the calculations used in the subsequent sections of this paper, these reductions and surtax are taken into account in computing tax payable.
4. For employees these expenses are limited to union and professional dues, the \$150 general expense allowance, the cost of tools and supplies, and certain other allowed expenses of employment.
5. Revenue Canada, Taxation. 1976 Taxation Statistics. (Ottawa: Printing and Publishing, Supply and Services Canada; 1976). Calculated from data in Table 2.
6. Unless otherwise stated, the following assumptions are made in all tax calculations: The taxpayer is under age 65. In addition to the basic personal exemption of \$2,091, the employment expense deduction of 3% of wages and salaries to a maximum of \$150, and CPP and UIC contributions calculated at 1976 rates, are deducted in computing tax. Taxpayers are assumed to take the optional standard deduction of \$100. No account is taken of other potential deductions such as child care expenses or contributions to private pension plans. Federal tax is calculated as the basic federal tax applicable in 1976, with adjustments for the 8% tax reduction (minimum \$200 and maximum \$500) and the

10% surtax on the portion of the federal tax exceeding \$8,000. Provincial tax is calculated as 30.5% of the basic federal tax, with tax reduction equal to the provincial tax if the basic federal tax is less than \$200.

7. The personal exemption was not included as a tax subsidy because it is available to all taxpayers and it really amounts to a tax bracket with a zero percent tax rate.
8. These include the deduction for union and professional dues, the general expense allowance deduction (which is 3% of earned income to a maximum of \$150), and the deduction for other expenses of employment (which includes travelling costs; cost of tools, supplies, etc. incurred in the course of employment; costs of meals and lodgings in the case of transport employees; and expenses incurred by salesmen in earning commission income).
9. All estimates of tax subsidies appearing in this paper were calculated by the National Council of Welfare from data which appears in 1976 Taxation Statistics (see footnote 5). We stress that these are estimates only. For details of the method of estimation and further data on the breakdown of selected tax subsidies by income group, see Appendix to the Hidden Welfare System, available on request from the National Council of Welfare. The Appendix also includes a list of all the tax subsidies.
10. These subsidies are the age and disability exemptions; the married or equivalent exemption; the exemption for wholly dependent children; the other dependents exemption; the education deduction; the deductions for CPP or QPP contributions, unemployment insurance premiums, registered pension plan contributions, retirement savings plan premiums, registered home ownership plans, interest income, tuition fees, child care expenses, and charitable donations; the standard deduction; and the temporary federal tax reduction provision in effect in 1974.
11. 1976 Taxation Statistics. Table 2. It should not be assumed that all of these persons avoided paying tax because of loopholes or tax avoidance schemes. Some (we have no way of estimating how many) may have been persons who carried forward losses from previous years and who therefore did not have to pay tax in 1974 in spite of their high incomes that year.
12. Income Tax Act, Section 63.
13. Besides the assumptions listed in footnote 6, it is further assumed that each person claims the exemption of \$392 for one dependent child aged under 16, and receives a taxable family allowance at the 1976 rate of \$265 per year.
14. Income Tax Act, Section 146.

15. The Honourable Donald Macdonald. Budget Speech (May 25, 1976). Page 31.
16. The estimated cost for the provision for R.R.S.P.s is based on the revenue loss in 1974 which resulted directly from the deduction. An argument can be made that this overstates the actual cost, since the tax on contributions to an R.R.S.P. is, in fact, not all permanently lost but in part only deferred. Methods for calculating these net costs, however, are complex and subject to a number of assumptions. Moreover, Finance Department estimates on tax savings generated by changes in R.R.S.P. provisions appear to be based exclusively on the basis of gross costs in the current year and do not appear to adjust these costs to reflect the tax deferral effect. We therefore feel it is justified to assert an estimated cost of \$513 million for the R.R.S.P. provision.
17. Department of Finance. Budget Paper E: Supplementary Information (Ottawa: May 25, 1976). Page 22.
18. Income Tax Act, Section 8(1)(m).
19. The comments made in footnote 16 in respect of the estimated cost of Registered Retirement Savings Plans also apply to Registered Pension Plan contributions.
20. Income Tax Act, Section 146.2.
21. The Honourable John Turner. Budget Speech. Hansard, November 18, 1974.
22. Income Tax Act, Section 110.1.
23. Department of Finance. Budget: Supplementary Information. (Ottawa: November 18, 1974). Page 1.
24. Income Tax Act, Section 109(1)(d).
25. Ontario Ministry of Treasury, Economics and Intergovernmental Affairs. Review of Issues in Financing the Canada Pension Plan. (Toronto: April, 1976) Table IV, Page 18.

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The National Council of Welfare was established by the Government Organization Act, 1969 as a citizens' advisory body to the Minister of National Health and Welfare. Its mandate is to advise the Minister on matters pertaining to welfare.

The Council consists of 21 members, drawn from across Canada. All are private citizens and serve in their personal capacities rather than as representatives of organizations or agencies. The membership of the Council encompasses a diverse range of welfare-related interests. These include past and present welfare recipients active in welfare rights, public housing tenants and other low-income citizens' groups, and social workers and others involved in social service associations, private welfare agencies, and social work education.

Reports by the National Council of Welfare have dealt with income security, taxation, social employment, community organization, nutrition, legal aid/legal services, children in poverty, single-parent families, low-income consumers, poor people's groups and poverty coverage in the press. The Council has offered extensive commentaries on developments in the recently-concluded federal-provincial social security review.

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